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The European Community July 1989

Background: The European Community (EC), formally known as the European Communities, is the cornerstone of West European unity. It was created in 1967 by the merger of the European Coal and Steel Community, established in 1951, with the European Economic Community (Common Market) and the European Atomic Energy Community (EURATOM), established in 1957. It comprises a dual executive, the European Commission, which initiates and implements EC policy, and the Council of Ministers, which is the EC's main decisionmaking body; the European Parliament, the only multinational European institution directly elected by the European people; the Court of Justice, the EC's supreme court; and the Economic and Social Committee, which represents employers and unions as well as consumers and farmers. The primary aim of the EC is to integrate the economies of its members. It is currently working to develop a single, integrated market by 1992.

EC expansion: The original six EC members--France, the Federal Republic of Germany, Italy, Belgium, the Netherlands, and Luxembourg--were joined in 1973 by the UK, Denmark, and Ireland; Greece joined in 1981, and Spain and Portugal joined at the beginning of 1986. In 1987, the most recent year for which statistics are available for all categories, the 12 countries had a combined population of 323.8 million, a GNP of $4,262 billion, and a per capita

SELECTED ECONOMIC DATA FOR EC (12), 1987

	GNP		Unemployment	US Trade with EC (12)			
	Total (billion dollars)	Per Capita (dollars)	Percent of labor force	Imports (billion dollars)	Percent of world imports	Exports (billion dollars)	Percent of world exports
Belgium	116	13,881	11.2	4.2	1.1	6.2	2.4
Luxembourg	6	16,757	1.6				
Denmark	98	19,092	7.8	1.8	0.4	0.9	0.4
France	871	15,656	10.5	10.7	2.6	7.9	3.1
Fed Rep of Germany	1,125	18,395	7.9	27.1	6.7	11.7	4.6
Greece	46	4,645	7.4	0.5	0.1	0.4	0.2
Ireland	26	7,302	17.7	1.1	0.3	1.8	0.7
Italy	747	13,035	11.0	11.0	2.7	5.5	2.2
Netherlands	214	14,628	12.6	4.0	1.0	8.2	3.2
Portugal	35	3,368	7.1	0.7	0.2	0.6	0.2
Spain	286	7,372	20.5	2.6	0.7	3.1	1.2
UK	670	11,776	10.3	17.3	4.1	14.1	5.6
Total EC (12)	4,262	13,162	11.0	81.2	20.0	60.4	24.0

	EC (12) Trade with the US				US Direct Investment (billion dollars)	Foreign Direct Investments in the US (billion dollars)	Population Mid-year (millions)
	Imports (billion dollars)	Percent of world imports	Exports (billion dollars)	Percent of world exports			
Belgium	11.9	4.7	14.3	15.2	7.1	2.5	9.9
Luxembourg					0.7	0.2	0.4
Denmark	1.4	5.3	1.6	7.2	1.1	*	5.1
France	11.3	7.2	10.4	7.3	61.5	10.2	55.6
Fed Rep of Germany	14.2	6.1	27.8	9.3	24.5	19.6	61.2
Greece	0.4	2.8	0.5	6.8	0.2	*	10.0
Ireland	2.3	17.0	1.2	7.8	5.5	*	3.5
Italy	6.7	5.3	11.2	9.6	8.4	1.2	57.1
Netherlands	6.6	7.2	4.0	4.3	14.2	47.0	14.7
Portugal	0.7	4.9	0.6	6.5	0.4	*	10.4
Spain	4.0	8.3	2.8	8.1	4.0	*	38.8
UK	15.1	9.8	18.1	13.8	44.7	74.9	56.7
Total EC (12)	66.6	7.0	82.6	8.7	122.3	157.6	323.8
EC (12) World Trade	954.8		954.1			* 1.8 total for the five countries	
Intra EC (12)	551.6		558.8				
Other	403.3	16.5	395.3	20.9			

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GNP of $13,162. US imports from the 12 represented 20% of US world imports; US exports to them were 24% of US world exports.

How the EC works: The European Commission is supranational, having primary responsibility for initiating and implementing EC policy in areas that fall under the EC treaties (for example, the internal market; external trade, including that with the US; and agricultural policy). The Council of Ministers, representing member states, is the EC's highest decisionmaking authority and occupies the pre-eminent position in the current institutional power balance. The directly elected European Parliament is a consultative body with few powers except in matters affecting the EC budget, although its role is slowly increasing.

The EC Presidency and European Political Cooperation: Every January and July, the presidency of the Council of Ministers rotates. The presidency country presides at all meetings of the 12 member states and serves as spokesman in dealing with third countries on intergovernmental matters, including efforts to coordinate the foreign policies of the member states. This foreign policy coordination process, known as European Political Cooperation, is one of seeking consensus for joint action by the 12 members on international political issues, such as the Middle East peace process, South Africa, and Central American issues.

US-EC relations: The US economic relationship with the EC is enormous: the EC is our largest trading partner, with 1988 two-way trade totaling $161 billion. The US and the EC also are the largest investors in each other's economies. The US maintains a dialogue on foreign policy issues with the community through the EC presidency country. New areas of cooperation, such as the environment, are under consideration. Much bilateral attention has recently been devoted to the EC's single market (1992) program. The US has consistently supported economic and political integration in Europe; in a May 1989 speech, President Bush stated that a strong, united Europe means a strong America. A truly integrated market with a single set of standards and regulations and a removal of restrictions on the movement of goods, services, and people would not only spur growth and efficiency in Europe, but also would provide increased opportunities for US companies. The US believes it is essential that the single market program be implemented in an open fashion and not erect new trade barriers. Many of the trade problems between the US and the EC are in agriculture; EC subsidies have resulted in lost US sales in the community and other countries. Discussions are underway to resolve differences over hormone-treated meat and EC oilseeds subsidies, two of the more difficult disputes. Other trade concerns include Airbus subsidies by certain EC governments and limited US access to some EC telecommunications markets.

Data sources and notes: The economic statistics were collected by the Bureau of Intelligence and Research, based on figures from the Organization for Economic Cooperation and Development, the US Department of Commerce, and the UN. Calculations for per capita GNP and percentages are based on unrounded data. Totals for per capita GNP and some percentage figure totals are weighted. In US trade with the EC, imports and exports are f.o.b. In EC trade with the US, imports are c.i.f. and exports are f.o.b. The data are in 1987 prices and 1987 exchange rates.

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